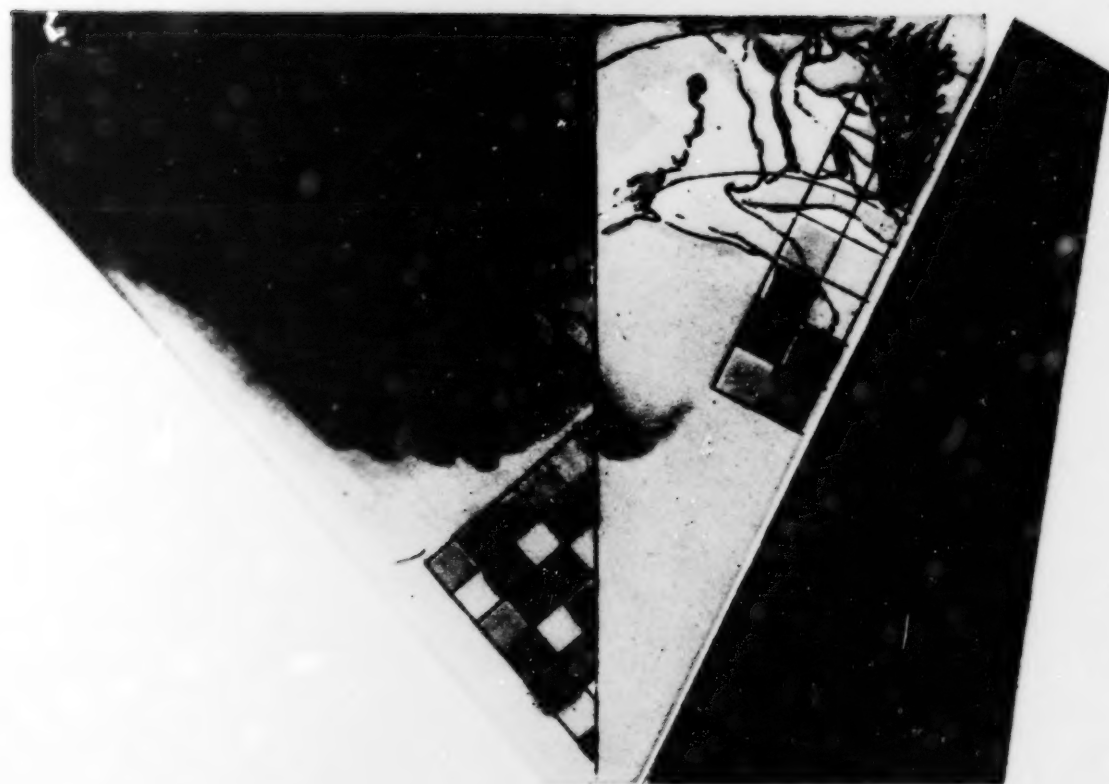


THIRTEENTH ANNUAL REPORT





**THIRTEENTH ANNUAL REPORT
1982-1983**

84- 2932 /

Loto-Québec

For the period April first, 1982 to March thirty-first, 1983

Board of directors

Jean-Marc Lafaille
President and General Manager

Denis Vandry
Vice-president — General Management

Marthe Bouchard-Hatch
Jacques Desmeules, C.A.
Francine Harel-Giasson
Paul Martel, C.A.
Jean-Claude Messier

Secretary
Marguerite Bourgeois-Lapierre

Verification Committee

Jacques Desmeules, *President*

Jean-Marc Lafaille
Jean-Claude Messier

Secretary
Marguerite Bourgeois-Lapierre

Head office	Subsidiary
(as of July 1st, 1983)	Sodici Québec Inc.
500 Sherbrooke Street West	12675 Sherbrooke Street East
Montréal H3A 3G6	Montréal H1A 3W7
(514) 282-8000	(514) 642-5121

Regional Offices:

Montréal-extérieur and
Montréal-nord
9150, l'Acadie Blvd.
Montréal H4N 2T2
(514) 382-4020
(514) 382-2333

Montréal-centre
945, de Maisonneuve Blvd. East
Montréal H2L 1Z3
(514) 526-6655

Montréal-sud
470, Ste-Foy Street
Longueuil J4J 1Y2
(514) 651-9282

Québec
2200, Blvd. Charest West
Québec G1N 2G4
(418) 643-8996

Trois-Rivières
5000, Jean XXIII Blvd.
Trois-Rivières G8Z 4L1
(819) 373-2633

Sherbrooke
45, Radisson Street
Sherbrooke J1L 1E2
(819) 566-2161

Chicoutimi
345, des Saguenéens Street
Chicoutimi G7H 6K9
(418) 545-4522

Management Committee

President

Vice-president, General Management

Vice-president, Marketing

Vice-president, Systems

Vice-president, Administration

Director, Distribution and Sales

Secretary

Vice-presidencies and Directorates

General Management Services

Organizational Development and Improvement
Pierre L'Archevêque

Administrative Support
Jean-Marie Dumont

Internal Auditing
Jacques Dubois

Secretary and Legal Counselor
Marguerite Bourgeois-Lapierre

Marketing

David Clark, *Vice-president*

Communications

Michel Labrosse

Distribution and Sales
André Marier

Product Management
Claude Trudel

Research
Louise Leduc

Systems

Richard Lecompte, *Vice-president*

Development and Projects

Gaston Thibault

Operations

Jacques Martineau

Planning and Control

Michel J. Gareau

Users Service

Pierre J. Goyette

Administration

Vice-president
(vacant)

Finance

Gilles Dubé

Physical and Human Resources
Jean-Pierre Sylvestre

President's report

The mandate of Loto-Québec is to conduct and administer lottery systems and, if so authorized by the government, to hold races and to promote the raising of race horses. It has as its sole and only Shareholder the Minister of Finance of Québec.

Loto-Québec is administered by a Board of seven members which convened 15 times during the year; the Auditing Committee of the Board, for its part, held three meetings.

The Board of Directors welcomed two new members, Mmes Marthe Bouchard-Hatch and Francine Harel-Giasson, who were appointed for a period of three years. They replace Miss Jacqueline Vézina and Mr. André Perrault whose terms were ended. I take this opportunity to underline their excellent assistance in the administration of the company.

Our preceding report foresaw a sales increase potential in the neighbourhood of 10%, which would allow Loto-Québec to exceed the 500 million dollars plateau in sales. This prognosis has materialized, the turnover rose to \$515,878,000, an increase of 13.8%. This result illustrates the sustained efforts of a company anxious to counter the effects of the recession by constant renewal of its games mix. This dynamic approach necessitates an alert participation of all administrative units in a management attentive to changes. I take this opportunity to thank each employee for his or her contribution to the success of Loto-Québec.

Two new games made their appearance in 1982: LOTTO 6/49 and Hockey Sélect. In addition, we combined two products already in existence, namely Loto-Sélect and la Quotidienne. The Loto-Hockey game did not resume its activities because of the weak interest shown by consumers and the introduction of Hockey Sélect.

While the total sales of the Société have appreciably surpassed the objectives, the breakdown of revenues by products still holds certain surprises. We had an expectation there would be a marked decrease in the 6/36 to the profit of LOTTO 6/49. This transfer of wagers developed very slowly, the public loyalty to 6/36 thus assuring us of two healthy on-line games. Super Loto found its second wind, while the receipts for Hockey Sélect unfortunately did not attain the level hoped for. The returns for each lottery are analyzed in detail in the marketing section.

In another respect, we announced, last year, a notable decrease of our profit margin due to the considerable rise in our information processing expenses. As a matter of fact, we had forecast at the beginning of the period an increase in our overall expenses of 42%. Programs of budgetary compressions reduced this percentage to 34%. Although the disbursements in information processing have actually increased by 10.4 million dollars, the overall operating expenses of the Société, if we exclude this area, increased no more than 18%.

The information processing was therefore one of our main budgetary preoccupations again this year. The increase in costs in this sector is explained by the important changes brought about to our equipment, as well as by the addition of more than a thousand on-line terminals. Loto-Québec has passed with flexibility from an environment of mini-computers to an environment of high capacity computers. This equipment should be sufficient for our needs for the next five years, possibly even further.

To the rise of equipment expenses must be added the conversion costs of the systems and of the development of new games. These modifications and additions however have resulted in supplementary revenues of close to 48.6 million dollars from computerized lotteries. Seeing that, from all evidence, this progression will continue in the years to come, the sums of money authorized therefore represent a very sound investment. Without these essential expenses, the rise in sales would doubtless have been limited, in 1982-83, to less than 4%.

In the coming year we anticipate a reduction in our expenses for information processing; this, while bringing the number of on-line terminals in operation to 3,600 and proceeding with the mechanization of the operations of the distribution network.

On the other hand, we hoped during the course of the period to move our data centre into a building conceived for this purpose. However, excessively high refitting costs constrained us to revise our approach. In December, the board of Directors decided to benefit from the favorable real estate market in Montréal and to sell our two present buildings (situated at 2000 Berri Street and 5061 Fullum Street) to relocate our activities in a single new Head Office. Following a call for public tenders, we made the acquisition, in association with the Caisse de dépôt et placement du Québec, of a building situated at 500 Sherbrooke Street West in Montréal. The move will take place gradually, commencing from the first of July.

We have retained the services of a Montréal firm, BCP Advertising Ltd., to effect the advertising management of several of our products during the next two years. Selected following a call for public tenders, BCP Advertising Ltd. joins Jean Léveillé & Associés in the elaboration of the advertising strategy of the Société. Our policy concerning the advertising agencies is to proceed, every second year, to a call for public tenders to replace one of them.

In the realm of labour relations, the adoption of the law concerning work conditions in the public sector imposed employee work conditions for a period of three years. In agreement with the two trade union organizations, mechanisms of consultation were set up in order to harmonize relations with employees.

Sodic Québec Inc., which was a wholly-owned subsidiary of Loto-Québec, bought back all the shares held by the latter, with the exception of one. Under the Presidency of Mr. Denis Vandry, also Vice-president of Loto-Québec, Sodic managed, in only a few months, to enhance its image. During the summer, a five year relaunch program of 28 million dollars was set up by Sodic Québec. The parties involved in the horse racing industry underlined the relevance of new policies and the contribution of Mr. Vandry in awarding him the title of personality of the year 1982 in the field of sulky racing.

I had the honor to be elected to the post of General Secretary of the International State Lotteries Association (AILE), a prestigious body which counts among its members representatives of some sixty countries.

If we take a look at the future, the coming financial year will be notably marked by the relocation of our Head Office, the mechanization of the sales network and the setting up of an operational control system. In addition, the Société will continue its analysis of video lottery games. In 1983-1984 we anticipate an increase in our turnover of over 10%. The acquisition of some 1,000 additional on-line terminals should generate the major part of this rise; for the remainder, notwithstanding extraordinary expenses tied in to the transfer of the Head Office, we anticipate maintaining a profit margin similar to that of the present period.



Jean-Marc Lafaille
President

Salient facts

Marketing

The Marketing directorate are delighted with the results recorded, since the sales objectives have been surpassed and this despite a severe recession.

Without doubt a salient point was the very successful introduction of a lotto game, LOTTO 6/49, in collaboration with the other Canadian provinces. In March, this new game awarded the largest grand prize ever given out in Canada, it being \$3,895,389. Despite a technically flawless launching, Hockey Sélect nevertheless was going up against a very weak market potential for this type of game.

In addition to the announcement of our association with the Corporation Québec 1534-1964 for the next two years, the selection of BCP Advertising Ltd. is also notable. For its part, the agency of Jean Léveillé & Associés pursues its mandate of promoting lotteries and games through Québec medias.

In another area, respecting its policy of decentralization, the directorate proceeded with the reorganization of the sales network and the setting up of operation centres. It initiated and implemented a product promotion and commercialization program at the consumers and retailers levels.

Finally, the directorate supervised the expansion of the on-line terminals network for 1983-1984, while ensuring that the sales team at all levels receives the appropriate training relative to sales approaches and techniques.

Systems

The systems directorate has recently completed its program of transferring on-line terminals to high capacity computers, thus ensuring an adequate potential to allow for the network expansion of on-line terminals foreseen for the coming year. Furthermore, it has undertaken studies in long-term consolidation of its information processing equipment; these studies should be concluded shortly and should lead, notably, to a marked reduction in the growth rate of information processing expenses.

With respect to the portfolio of computerized applications, the directorate implanted a new game system last June, the LOTTO 6/49, as well as an integrated system of personnel management. Working hand in hand with the directorates concerned, it has also continued the elaboration of a computerized data and control of operations system for the distribution network, as well as support work on its portfolio of applications.

Last, but not least, a program of consolidating management of the systems function itself has been initiated. This program, based on the philosophy of management by objectives, has already brought about the rationalization of the responsibilities of the administrative units, as well as the setting up of various management mechanisms.

Administration

The Administration directorate prepared an in-depth analysis of present and future space needs. This analysis having clearly demonstrated the insufficiency of the present buildings, the directorate formulated a proposition of the sale of the Société premises combined with the acquisition of a new Head Office regrouping the administrative units now dispersed in four Montréal buildings. The Board of Directors passed this recommendation.

Following a call for public tenders, the directorate suggested the selection of a new building, modern and functional, situated at 500 Sherbrooke Street West in Montréal, premises meeting the current and future needs of the company.

Anxious to maintain the quality of life of employees, the directorate estimates that this new location will have favorable repercussions on the well being and productivity of employees, both individually and collectively.

During the year, the installation of a centre of operations in Québec and two regional offices in Sherbrooke and Chicoutimi were supervised by the directorate.

In the field of human resources, one of the main projects was the setting up of a new integrated computer system for the management processing and remuneration of manpower. This system allows the Société to handle its personnel payroll, while furnishing pertinent management guide lines, barometers of the quality of the management of human resources carried out by the company.

Furthermore, a plan for overall rearrangement of the "personnel" function has been worked out; already the first steps have been taken for this function to fulfill its role as counselor.

Moreover, a new policy and new administrative drawings procedures have been put in force. These will increase the security in them, while they better define the role and mandate of the external auditor.

The Finance service, for its part, proceeded with the rearrangement of its organizational structure, in particular by the creation of the positions of comptroller and treasurer as well as by the integration of the planning division, the financial systems and the tickets quality control section.

An optimum management of funds has been realized thanks to a very quick perception of accounts receivable and a judicious utilization of funds, best adapted to market conditions.

Parallel to an increase of productivity, financial supervision benefitted from an increase in mechanization of the treatment of information and recourses to statistical sampling.

Lastly, the annual budgetary process has been modified in anticipation of its integration in the corporate planning.

Directors' report

The Board of Directors is responsible for the financial statements to the Shareholder. The responsibility for preparing them is delegated to general management and the Auditing committee, which sees to revisions.

Management maintains a system of internal control in order to present reliable financial statements. The internal auditing service constantly oversees the smooth functioning of the system.

The financial statements are prepared according to generally recognized accounting principles, which, in certain cases, call for estimations and judgements on the part of management.

By law, the Auditor General of Québec is appointed as the auditor of the books and accounts of the Société. The report presented on this page expresses an opinion on the financial statements in a comprehensive manner and their conformity to generally accepted accounting principles.

The Auditing Committee and the Auditor General meet with management to discuss questions pertaining to the auditing and the financial statements. The members of the committee are not connected with the Société except as administrators.

Under recommendation of the Auditing Committee, the Board of Directors has approved the financial statements of the Société.

Jean-Marc Lafaille

Denis Vandry

Auditor's report

I have examined the balance sheet of Loto-Québec as of March 31, 1983, the statement of revenues, the statement of undistributed income, and the statement of change in the financial position for the year ended at that date.

My examination was carried out according to generally accepted accounting standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial situation of Loto-Québec as of March 31, 1983, and in like manner the changes in the financial situation for the period then ended at this date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Rhéal Chatelain, c.a.
Auditor General of Québec

Québec, May the 27th, 1983

Balance sheet as of March 31, 1983

Assets

(in thousands of dollars)

LOTO-QUÉBEC
(L.R.Q., c.S-13.1)

	1983	1982
CURRENT ASSETS		
Cash		
Receivables (note 3)	11,087	4,459
Prepaid expenses	14,155	14,287
	5,227	3,188
	<u>30,469</u>	<u>21,934</u>
INVESTMENT		
Subsidiary, wholly-owned (note 4)	—	1,057
FIXED ASSETS (note 5)		
Cost	39,481	33,429
Accumulated depreciation	18,557	14,596
	<u>20,924</u>	<u>18,833</u>
	<u>51,393</u>	<u>41,824</u>

Liabilities

(in thousands of dollars)

	1983	1982
CURRENT LIABILITIES		
Bank loan	1,000	625
Prizes payable	6,974	5,194
Accounts payable and accrued liabilities	8,440	7,261
Provision for bonus prizes (note 6)	1,593	1,474
Deferred income — lottery tickets	21,625	16,824
	<u>39,632</u>	<u>31,378</u>
 PRIZE PAYABLE BY INSTALMENTS TO A WINNER (note 7)	 <u>700</u>	 <u>800</u>
 SHAREHOLDER'S EQUITY		
Capital shares authorized, issued and paid: 1 700 shares with a par value of \$100 each	170	170
Undistributed income	10,891	9,476
	<u>11,061</u>	<u>9,646</u>
	<u>51,393</u>	<u>41,824</u>
 COMMITMENTS (note 11) EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE (note 12)		

On behalf of the Board of Directors

Jean-Marc Lafaille

Denis Vandry

Undistributed Income

For the year ended March 31, 1983

(in thousands of dollars)

	<u>1983</u>	<u>1982</u>
Balance at the beginning of the period	9,476	8,545
Net income for the year	<u>163,415</u>	<u>150,931</u>
	<u>172,891</u>	<u>159,476</u>
Dividend paid to the Minister of Finance	<u>162,000</u>	<u>150,000</u>
Balance at end of year	<u>10,891</u>	<u>9,476</u>

Results

For the year ended March 31, 1983

(in thousands of dollars)

	1983	1982
		(note 13)
SALES — Lottery tickets	515,878	453,297
SALES COSTS		
Prizes awarded	227,059	198,636
Discounts to retailers	31,207	27,950
Printing of tickets	16,961	17,526
	275,227	244,112
GROSS INCOME	240,651	209,185
OPERATION COSTS		
Advertising and Communications	15,260	13,180
Distribution and Sales	16,117	13,783
Information Processing	22,262	11,812
Administration	11,219	9,473
Depreciation of Fixed Assets	5,818	4,664
	70,676	52,912
Other income	106	47
Interest revenue — net (note 8)	2,576	2,438
	2,682	2,485
	67,994	50,427
INCOME BEFORE THE FOLLOWING DISBURSEMENTS	172,657	158,758
Payments to the Government of Canada further to its withdrawal from the business of lotteries (note 9)	8,965	7,657
Special commissions to non-profit organizations (note 10)	277	170
	9,242	7,827
NET INCOME	163,415	150,931

Changes in Financial Position

For the year ended March 31, 1983

(in thousands of dollars)

	1983	1982
SOURCE OF FUNDS		
Net income	163,415	150,931
Depreciation on Fixed Assets	5,818	4,664
Funds provided by operations	169,233	155,595
Investment in wholly-owned subsidiary (note 4)	1,057	—
	<u>170,290</u>	<u>155,595</u>
APPLICATION OF FUNDS		
Dividend paid to the Minister of Finance	162,000	150,000
Acquisition of fixed assets - net	7,909	6,127
Prize payable by instalments	100	100
	<u>170,009</u>	<u>156,227</u>
CURRENT LIABILITIES OVER CURRENT ASSETS		
Increase (decrease) during the period	(281)	632
Balance at beginning	9,444	8,812
Balance at end	<u>9,163</u>	<u>9,444</u>

Accompanying notes

(in thousands of dollars)

1. STATUTE AND FUNCTIONS OF THE SOCIÉTÉ

The functions of the Société des loteries et courses du Québec, or Loto-Québec, created under a special law, are to conduct and administer lottery systems.

2. SUMMARY OF MAIN ACCOUNTING POLICIES

The financial statements of Loto-Québec have been prepared by the management according to generally accepted accounting standards. In the opinion of the management, these financial reports are suitably prepared within reasonable limits in line with their relative importance and within the framework of the following accounting policies:

Fixed assets

Fixed assets are presented at their original cost and are depreciated based on their estimated useful life using the following straight line method rates:

Buildings	5%
Office furniture	10%
Fittings and equipment	20%
Improvements to rental holdings	20% and 25%
Rolling stock	30%

Income

Gross income from sales of lottery tickets is recorded as of the date of the draws with the exception of that originating from instant lotteries, which is recorded at the time of sale of the lottery tickets.

Lottery tickets sold as of March 31 for draws subsequent to that date (except for instant lotteries) are treated as deferred income; discounts to retailers on these sales are carried as prepaid expenses.

3. RECEIVABLES

	1983	1982
Retailers	2,329	3,000
Wholesalers	6,321	5,856
The Interprovincial Lottery Corporation	5,337	5,316
Miscellaneous	168	115
	<u>14,155</u>	<u>14,287</u>

Loto-Québec holds demands notes or acknowledgements of debts covering permanent advances extended to wholesalers as well as bank guarantees covering these advances in whole or in part.

4. WHOLLY-OWNED SUBSIDIARY

As of March 31, 1983, Loto-Québec holds all the capital shares of S.O.D.I.C. Québec Inc., that being a common share of \$10. The account of this wholly-owned subsidiary is not consolidated nor shown at consolidation value, since the Société and its subsidiary are not an integrated group. The financial statements of S.O.D.I.C. Québec Inc., audited as of March 31, 1983, show a ledger value of \$1,600,000 (\$325,000 as of March 31, 1982).

During the period, S.O.D.I.C. bought back 105,699 shares at the nominal cost of \$10 per share, for a total of \$1,056,990.

5. FIXED ASSETS

	1983		1982	
	Cost	Accumulated amortization	Net	Net
Land	330	—	330	330
Buildings	4,868	1,742	3,126	3,369
Improvements to rental holdings, fittings, equipment, furniture and rolling stock	<u>34,283</u>	<u>16,815</u>	<u>17,468</u>	<u>15,134</u>
	<u>39,481</u>	<u>18,557</u>	<u>20,924</u>	<u>18,833</u>

6. PROVISION FOR BONUS PRIZES

Unclaimed Mini Loto and Inter Loto prizes are carried under a provision with the aim of subsequently distributing them in the form of bonus prizes.

7. PRIZE PAYABLE IN INSTALMENTS

The amount of \$700,000 represents the annual instalments of \$100,000 payable after 12 months to a winner of Super Loto. The \$100,000 instalment payable during the 12 months is included in the prizes to winners under current liabilities.

8. INTEREST

	1983	1982
Interest on bank balance	2,779	3,104
Less: Interest on bank loan	203	666
	<u>2,576</u>	<u>2,438</u>

9. PAYMENT TO THE GOVERNMENT OF CANADA FOLLOWING ITS WITHDRAWAL FROM THE FIELD OF LOTTERIES

Under an agreement concluded between the provincial governments and the Federal Government concerning the withdrawal of the Federal Government from the field of lotteries, the provinces will remit to the Canadian Government annually the sum of \$24 million in dollars from 1979. The Government of Québec share is calculated in terms of the net sales of the Provincial and of the Super Loto in Québec and is payable by the Société in accordance with the terms of the agreement concluded between the provinces and the regional lottery organizations. The Société will turn over approximately 10 million dollars as its contribution for the 1983-1984 period.

10. SPECIAL COMMISSION TO NON-PROFIT ORGANIZATIONS

In compliance with a decision of the Shareholder, a commission equal to the discount to retailers is granted to non-profit organizations selling lottery tickets through the LOTOMATIQUE subscription system.

11. COMMITMENTS

a) Purchase contract for 1,750 on-line terminals for the information processing system for a cost of \$13.2 million divided up as follows: 1983-84: \$8.8 million; 1984-85: \$4.4 million.

b) Rental-work contracts for the utilization and maintenance of information processing equipment: the rental expense established in terms of the equipment utilized is \$6.1 million for the period ended March 31, 1983.

A negotiation is presently underway for the overall rental of information processing equipment which will entail an annual disbursement in the neighbourhood of \$2.5 million for the next five years.

c) Long term leases for office spaces falling due on various dates up to December 1987, with option to renew for five years.

The rental expense for the period ended March 31, 1983 is \$775,068.

The annual minimum rentals for the next five years are established as follows:

1983-84:	\$635,103
1984-85:	\$525,448
1985-86:	\$391,632
1986-87:	\$382,588
1987-88:	\$255,059

12. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Relocation of the Head Office

At the date of the preparation of the financial statements, the following transactions, duly authorized by the Government of Québec, were underway:

a) Acquisition in equal partnership with the Caisse de dépôt et placement du Québec of business premises situated at 500 Sherbrooke Street West in Montréal for a price between 35 and 42 million dollars and a loan by Loto-Québec to finance this acquisition with a view to relocating its Head Office;

b) sale of premises currently occupied by Loto-Québec situated at 2000 Berri Street, Montréal and at 5061 - 5075 Fullum Street, Montréal for an estimated total amount of \$4,730,500.

The expected relocating expenses in the new premises are estimated at \$3.2 million. The acquisition of new information processing equipment better suited to the needs of Loto-Québec is also foreseen to replace the current equipment.

13. COMPARATIVE FIGURES

Certain figures of the statement of results for 1982 have been reclassified to conform to the presentation adopted in 1983.

Commercial Highlights

Sales

The turnover of the Société went from 453.3 million dollars to 515.9 million dollars, an increase of close to 63 million dollars. The following table shows the returns for each of the products.

Sales by product (in thousands of dollars)

	1982/83	1981/82	Development
Passive lotteries			
Mini Loto	78,476	77,058	1.8%
Inter Loto	45,028	45,243	(0.5%)
Provincial	45,538	41,166	10.6%
Super Loto	45,150	37,320	21%
Sub-total:	214,192	200,787	6.7%
Semi-active lotteries			
6/36	139,077	140,025	(0.7%)
la Quotidienne	16,437	21,287	(22.8%)
Loto-Sélect	2,507	6,293	(60.2%)*
LOTTO 6/49	56,623	—	—
Instant lotteries	85,106	81,747	4.7%
Loto-Hockey	366	3,158	(88.4%)**
Hockey Sélect	1,570	—	—
Sub-total:	301,686	252,510	19.5%
TOTAL	515,878	453,297	13.8%

* Merged with la Quotidienne from September 1982.

**Game discontinued in May 1982.

Prizes

A rate of return proportional to sales of conventional lotteries, which is 42.5% for Mini Loto, 41.5% for Inter Loto, 45% for the Provincial and Super Loto, is guaranteed. Unclaimed prizes of these lotteries are subsequently returned to customers in the form of bonus prizes. The increase in prizes to winners (14.4%) therefore reflects the curve of sales.

The games offered by on-line terminals do not involve unsold tickets. Loto-Québec ensures a percentage of return equivalent, in principle, to the prizes claimed. The theoretical percentage of return in prizes is 48% for 6/36, 45% for LOTTO 6/49, 49% for la Quotidienne and 50% for Hockey Sélect.

The percentage of return in prizes for instant lotteries differs little from one game to another; Loto-Québec generally sets it at 40 or 41 per cent. The free tickets are not counted as prizes of \$1.

Prizes turned over to retailers selling winning tickets of \$1,000 and more are added to the amounts granted in prizes for each product.

Prizes awarded

	1982/83	1981/82
	(in thousands of dollars)	
Mini Loto	33,358	32,750
Inter Loto	18,686	18,776
Provincial	20,504	18,186
Super Loto	19,606	16,161
6/36	65,975	66,080
la Quotidienne	7,478	9,417
Loto-Sélect	1,102	2,814
Instant lotteries	34,014	32,872
Loto-Hockey	87	1,580
LOTTO 6/49	25,483	—
Hockey Sélect	766	—
TOTAL	227,059	198,636

Product returns

In agreement with the three other Canadian Lottery organizations, Loto-Québec in the month of June launched a new computerized game, **LOTTO 6/49**. With sales of more than 56 million dollars, this product has virtually polarized the rise of the turnover. This game shows every sign to continue its growth over several years and, in this way, contribute powerfully to the rise of the Société.

With its sales down only slightly, the **6/36** has absorbed the shock of its "competitor" quite well. With the introduction last April of the "Mise-tôt" or "Early Bird" prizes, 70 to 75% of buyers are now making certain to register their weekly bets before the date limit of Wednesday at midnight.

The **Provincial** has solidified its position since the advantageous change in formula made in 1981. A new prize structure brought about a similar transformation in the case of the **Super Loto**. This product has further strengthened its market by awarding, in the form of bonus prizes, 1,000 Canadian made cars, a promotion highly appreciated by its clientele.

The four instant lotteries marketed during the year (**Loto-Baseball**, **Trio +**, **Réveillon** and **Banco**) gained popular favor. Réveillon was noted for the double originality of offering a grand prize of \$25,000 and the alternative between a prize of \$5,000 and a gift of an equivalent value, in this case a video package. Since **La Grande Traversée**'s launching took place in late March, part of its revenues are included in this report. The **Mini Loto** and the **Inter Loto** maintained their solid showings, realizing, in addition, sales peaks when bonus prizes were allotted.

In the month of September, the "new" **Quotidienne** merged into a four numbers game the main characteristics of **la Quotidienne** and **Loto-Sélect**. The formula will be further modified in 1983, to simplify it in the minds of consumers.

Loto-Hockey sales refer to last spring's playoffs. **Hockey Sélect** revenues in the family of sports forecasting contests clearly slowed their pace, after a promising start. Nevertheless, this experience allowed us to attain a modest objective with the target-group of professional hockey fans.

Marketing expenses

Marketing expenses as a whole registered a growth equivalent to that of the turnover. Expenditures on advertising were maintained in the neighbourhood of 1.9% of revenues, an indication of well-established returns during a period of economic crisis.

(in thousands of dollars)	1982-83	% of turnover	1981-82	% of turnover
Sales and distribution expenses	\$ 16,117	3.12%	\$ 13,783	3.04%
Advertising and Communication expenses	\$ 15,260	2.96%	\$ 13,180	2.91%
Total	\$ 31,377	6.08%	\$ 26,963	5.95%
- advertising portion	\$ 10,019	1.94%	\$ 8,495	1.87%

Distribution and sales expenses were stabilized at 3.1% of gross revenue, in parallel with the pursuit of the decentralization of the operations of the network. Our network strives to grant to an already dynamic personnel the tools and the analytical means to direct their efforts to sectors offering the best sales potential. The network has proved itself one of the most effective and vigorous in Québec.

Social Highlights

Personnel

On March 31, 1983, the Société numbered 678 employees distributed as follows:

Marketing:	322
Systems:	180
Administration:	176

By employment group, the manpower plan reads as follows: Officers: 54; professionals: 153; administrative agents: 42; technicians: 71; office employees: 258; representatives: 88; labourers: 12.

In addition, 83 wholesalers, independent workers, ensure the distribution of products in rural and semi-rural regions.

The greater majority of Loto-Québec workers are affiliated members of the Syndicat des travailleurs et travailleuses de Loto-Québec (CSN) or of l'Association des professionnels de Loto-Québec.

During the period, the overall monetary earnings in emoluments, wages, salaries and social benefits paid to the personnel and to wholesalers were on the order of \$24,909,000.

Organizational development and improvement

During the last period the Société set up priority programs of intervention in organizational development (a project of management, a project of quality of life at work), as well as various activities for improvement and education.

Corporate planning and management by objectives (M.B.O.) programs follow-ups were achieved, with management officers as well as their administrative units. In addition, programs of organizational restructuring, evaluation of potential, education and development of officers, have been initiated.

On the subject of the quality of life at work, projects touching upon the feminine condition and stress have been implemented with the collaboration of management.

In the field of improvement and education, a specialized instructions program in information processing, relative to the acquisition of an IBM computer was initiated, and in like manner internal instructions on sales formation for representatives.

In fact, several improvement sessions adapted to the specific needs of various sectors of activity (management, research, marketing, accounting, etc.) have been held for professional personnel and officers.

Health

The Société is endowed with a health department which is as efficient as it is effective. This year, those responsible have placed the accent on personal initiatives by pointing out to personnel the merits and necessity of sound nutrition.

Supplies and services

The Supplies division of the Administration directorate experienced a very full year. For one part, the purchases came to a total of \$43,481,855, an increase of 61% with regard to the previous year. Some 3,553 order files have been treated to the satisfaction of all parties.

The purchase of 1,750 on-line terminals, the renewal of the maintenance contract for our on-line terminals, the granting of a new advertising contract and the relocating of the Head Office have undeniably constituted the major points of intervention by the division.

If one excludes certain particularly specialized fields (the software of information processing, for example) the great majority of acquisitions are made from Québec firms. By way of illustrating this constant regard of the Société, the Québec content of the new on-line terminals reaches close to 70%, the firm of Rank Périphériques du Canada Ltée of Ville Saint-Laurent assuming the responsibility for their assembly.

On the other hand, an overall program has been undertaken, in conjunction with the legal department, for a complete reform of provisioning policies.

At the direction of Marketing, product management services placed \$10,019,000 in advertising and promotion in Québec, directly or through advertising agencies.

The Communication Services, on their part, authorized the sum of \$3,022,000 to Québec medias for the broadcasting of the drawings and the publicity on their results.

Retailers

Some 13,500 retailers, spread across the map of Québec, compose the network of distribution and sales.

Their distribution, according to commercial categories and regions, stands out as follows:

Food stores	35%	Montréal-extérieur	2,342
Tobacco and handy stores	23%	Montréal-nord	1,937
Financial institutions	15%	Québec	2,037
Other service companies	11%	Trois-Rivières	1,010
Itinerant sellers	6%	Sherbrooke	1,189
Other businesses	6%	Chicoutimi	590
Pharmacies	3%	Rimouski	796
Kiosks	1%	Montréal-centre	1,913
		Montréal-sud	1,410
		Lotomatique	277

The premiums and discounts to retailers reached some \$31,207,000, an increase of 11.7% as compared to \$27,950,000 turned over the previous year.

The discount is 10% on the sale of the Mini Loto and 5% on the sale of the other products. Bonus prizes to retailers, equivalent to 1% of prizes of \$1,000 and more, are added to the prizes of corresponding lotteries.

Kiosks

During the year the department carried out the installation of nine kiosks in various regions of Québec, which brings to 158 the total number of these sales sites which, for the most part, are situated in large commercial centres. Furthermore, 14 new non-profit organizations were entrusted with the management of kiosks already in existence. During the period, 132 of the 158 kiosks were managed by associations which derive from these activities a source of revenues beneficial to the population of Québec.

Lotomatique

32 new non-profit organizations were accredited, 24 of them dealing exclusively with Lotomatique, the eight others accredited with both the Lotomatique and Kiosks divisions. At March 31, 1983, 277 Québec organizations were associated with the Lotomatique system.

The turnover of this subscription program reached \$5,145,600, a significant 68% advance over the results of the previous year. Of this total, a 72% proportion, \$3,713,573, is the result of the recruitment labour of the organizations. Moreover, these organizations received nearly \$292,000 in discounts and premiums from Loto-Québec and a little more than \$200,000 in the form of government contributions.

68 organizations benefitted by \$1,000 or more in discounts and premiums.

Drawings

As it has in past years, the Société made sure that the population was informed, with the briefest possible delay, of the results of each of the lotteries.

The Communication Service, of the Marketing directorate, thus carried out the telecasting of more than 550 drawings in the course of some 440 programs over the TVA network.

The Mini Loto, Inter Loto, 6/36 and Provincial drawings are presented Friday night during a high rated program. All the results of the Friday drawings are also transmitted over the Québec english CTV network and repeated, Sunday, over the same network within a program dedicated to the Italian community.

The LOTTO 6/49 and Super Loto drawings are presented over the TVA and CTV networks. The TVA network broadcasts the drawings of la Quotidienne.

In addition, agreements have been concluded for the reruns of most of the drawings by the major Québec cable companies.

To these highly effective audio-visual means are added the transmission of the results through the dailies, weeklies and over Québec radio stations, as well as in the Loto-Québec publications.

Each drawing is held under the strict supervision of an external firm of auditors. The house of Lavallée, Bédard et Compagnie assumes this responsibility.

Sponsorships

The Société renewed its program of institutional sponsorship, for the better part in sporting events and outdoor programs, and of festivals promoting Québec products and resources.

To this end, a sum of \$425,000 derived from its communications budget was put to the benefit of 53 popular events affecting 49 municipalities, in the neighbourhood of 6,000 volunteers, more than 21,000 participating athletes and tens of thousands of spectators and tourists.

The Loto-Québec Circuit of running events, which last year numbered 25 events, culminated with the presentation on September 19th in Valleyfield of the first Meeting of Champions which brought together the masculine and feminine elite of Québec. The undeniable result of this event bringing in close association the runners, the public and the medias, convinced the management to renew, indeed to intensify, similar rendez-vous.

For its part, the "popular festivals" program offered a marvelous opportunity to back up public fêtes taking part in the four corners of Québec, highlighting the capelan, the shrimp, maple products, the potato, milk, tobacco, the strawberry, etc. Loto-Québec also offered major support to the Finals of the Québec Games at Saint-Léonard.

The great success gained throughout by the sponsorship program prompts the Société to give it new impetus in 1983.

The Loto-Québec Collection

Drawing inspiration from the heritage of Québec or Amerindian novels and legends, the Loto-Québec Collection is enriched from year to year with original works, by competitions open to the engraving artists of Québec. Each prize-winning engraving is published by the Société in a limited edition art book.

This year the Collection crowned two works: *Spirit of the Chief*, a silkscreen print inspired by an Amerindian legend and signed by Michel Leclair; and *the Werewolf*, an etching signed by Nicole Malenfant.

It is this work, reproduced in a full color lithograph and relief printing, which decorates the front cover of this report and which is offered as an insert.

Distribution of one or another of the works of the Loto-Québec Collection to distinguished persons, or on special occasions, helps to spread knowledge in Québec as well as outside of it on the artists, the art, the novels and the legends of Québec.

The Werewolf

The Werewolf, seventh work of the Loto-Québec Collection. The original engraving is presented in an art book carrying the logo of the Société, in a linen-faced cover.

- Direction of the Collection: *Michel Labrosse*, of Longueuil
- Technical coordination: *Louis Pelletier*, of St-Lambert
- Conception, execution and printing of the engraving: *Nicole Malenfant*, of Québec City
- Text: *Michel Labrosse*
- English adaptation: *Jerry Williams*, of Montréal
- Cover of the original engraving, fine paper and linen bound, by *Pierre Ouvrard*, of St-Paul de l'Île-aux-Noix
- Engraving and original texts printed on hand-made pure linen paper.

81 original engravings were printed: 70 copies numbered from 1 to 70; 7 non-salable copies identified HC, copies of the collaborators, and 4 copies identified DL for legal deposit. All copies were signed by the artist.

On peut se procurer la version française de ce rapport annuel en s'adressant au:
Service de communication
Loto-Québec
C.P. 2000
Succursale postale "C"
Montréal (Québec)
H2L 4N8

The Werewolf

**At midnight supper, the aged matriarch did relate
Long ago to grandsons huddled around the grate
The woes, the punishments, the chastisement
Due whosoever defies the order heaven sent.**

At that far-off time, spake the matriarch, Joachim Crête had a mill on the Rigole, bordering the King's Road, where he had rigged a hovel and where he subsisted like a bear, with his bondsman, Hubert Sauvageau.

That night of Christmas Eve, they began their checkers party, a drunken bout well broached, sneering at the parish priest and villagers who went down to midnight mass. Sauvageau, who had no more religion than a dog, had also opened the flood gates, pretending to grind on the Saint's Day.

The checkers flipped as fast as the beer pots flowed, when, as the last tinkle struck on the solemn hour, the mill-wheel stops sharp, as if held by an arm. And the lantern dies out. Stumbling, staggering, the sodden millers try in vain to revive the paddles. So hard and so badly that Crête finally rages: "The devil take this place!" In the blackness, a mournful howling answers him.

Relighting his lantern, that impious one discovers, in place of Sauvageau, an enormous dog with fire-brand eyes and flaming fangs which springs on him. The church bell tolled the elevation of the host, emphasized the matriarch, crossing herself.

Falling to his knees, Crête entreats his God. And over the table, the checkers, the overturned bottles, he strikes the brute a blow with the sickle he suddenly finds in his hand, then faints.

On the morrow, the bondsman carries a broad gash to the ear. "Wretched miscreant, the werewolf is you", cries Crête, and he falls again, dead. More beast than man Sauvageau existed in the forest. In spring, a rout of all the devils carries away the mill.

**Whosoever, on the night the moon is full
Trails the river's edge to the mill
Will believe they hear tears, moans, gnashing
In long wheezes that from the undergrowth spring:**

It is the werewolf who wails.

SOCIÉTÉ DES LOTERIES
ET COURSES DU QUÉBEC

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Pierre Zalloni

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